THE TRAVANCORE CREDIT BANK BILL.

Clause 37.

MR. K. T. THOMAS: Sir, I move that—

"Sub-clause (2) of Clause 37" be deleted.

There are two portions in Sub-clause (2) of Clause 37 that have to be kept in mind. The first deals with an absolute prohibition against the holding of shares by officers appointed or nominated by Government.

As I understand it, this portion of sub-clause 2 in effect lays down an absolute prohibition. There is a proviso added which reads thus:

> "Provided that this qualification shall not apply to any Director who is nominated or appointed by Our Government or is nominated by debenture-holders."

MR. KAYALAM PARAMESVARAN PILLAI: On a point of information. Sir, I wish to know whether the member is moving for deletion of the entire clause or the proviso added at the end of it.

MR. K. T. THMOMAS: Only sub-clause 2. In moving that, what I want to say is that the prohibition contained in clause 2 of the Regulation can apply only to a Director nominated by the holders of the debentures if any and to the shareholders to be elected by the Bank in a general body meeting. It would appear that the prohibition is in the matter of exercising discretion by the share-holders It is possible that Government may waive the objection and the principle underlying it. I am afraid that that principle cannot possibly be sacrificed even in respect of those nominated or appointed by Government. Because, even if the persons referred to in sub-clause 2 are brought into the Directorate by Government, I do not at all understand the principle invoked in prohibiting certain types of officers. In fact the Directorate is to be composed of six persons elected by the shareholders. Even if the person be appointed or nominated by Government, the same objection can be taken. I personally fail to comprehend the substance of sub-clause (2). My position is that no principle is sought to be invoked in aid of prohibition of the person to serve on the Directorate if it need not be observed by Government. That must be made absolute. If here is a principle underlying the prohibition it must apply equally no matter whether the Director is elected by shareholders or nominated by Government. If the prohibition can apply in one case and not in another, it ceases to be on any principle. If there is a conflict of interest, certainly I can subscribe to the principle contained in the Bill. This Bill seeks to call into existence a Bank in respect of which there is a provision in Schedule I part (ii) sub-clause (5) that it shall not do business usually done by a commercial bank except what is expressly authorised by this Regulation. A person connected with a commercial Bank either in the capacity of a director or in any other capacity cannot possibly be said to have any conflicting interest and therefore it is not right that he should not be allowed to serve on the directorate of the bank that is sought to be called into existence by

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[Mr. K. T. Thomas].

this legislation. It might possibly be argued that if any person who has any connection with any other Bank be allowed to have anything to do with this Bank it would enable him to know the business secrets of this institution. The fact that a director of a commercial Bank today enjoying the confidence of Government, may without any difficulty, serve on the directorate and on his ceasing to retain the confidence of the Government may cease to be on the directorate, does not in any way avoid the danger, is my position. I personally feel that sub-clause (2) of Clause 37 would make it impossible for persons in Travancore who have any training in banking business to serve on the Bank that is proposed by this Legislation. If that is the spirit of the provision, I am positively against it because this is an institution in which we might require the aid of experts so far as banking business is concerned. On these grounds I commend the amendment that the sub-clause be deleted to the acceptance of the House.

MR. KAYALAM PARAMESVARAN PILLAI: I oppose the amendment. The objection to appointing the director of any other Bank in the directorate of the proposed Bank has been correctly stated by Mr. Thomas. People engaged in other Banks may have the interest of those Banks more to their heart and they may only try to bring about the ruin of this Bank, not to say they may not be able to work wholeheartedly for this Bank.

MR. E. JOHN PHILIPOSE: Does not the Law Member realise that the majority of the shares will be held by Government?

MR. KAYALAM PARAMESVARAN PILLAI: I am quite aware of that. I wish Mr. Thomas also had been aware of that. Therefore it is quite reasonable that the director of another bank should not be a director of this Bank also. With regard to the proviso, it is quite correct to say that the Board of Directors should be people who have some experience in banking business. So far as experts are concerned, Government will take care to appoint such persons as will not injure the cause of the bank.

MR. K. T. THOMAS: Is it expected that a person having the confidence of Government, if once appointed, will continue till eternity?

MR. KAYALAM PARAMESVARAN PILLAI: No. Government can remove a nominated director whenever they want. There is no reason whatever to object to the retention of the clause. I asked Mr. Thomas whether his motion is to delete the whole clause. He said yes. The latter portion of the proviso to the clause is.

"and the office of a Director shall be vacated.
if the person holding it resigns his office or dies."

Apparently, Mr. Thomas wants a person to continue in office even if he dies. If that be his object, his amendment will achieve it.

The amendment was put to vote and lost.

The question that Clause 37 do from part of the Bill was put to vote and carried

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The Clause was added to the Bill.

Clause 38 to 57.

The question that Clauses 38 to 57 do from part of the Bill was put to vote and carried.

The Clauses were added to the Bill.

Clause 58.

MR. M. G. MATTHEW: Sir, I beg to move the following amendment:—

"In Clause 58, line 5, instead of the word "any" insert the word "no."

The Clause as amended would read thus:—

"Two auditors shall be elected.....in office. No auditor shall be eligible on quitting office for re-election."

We know that auditors who usually inspect and audit the accounts of companies are given some inducements and profits other than they usually deserve. My object is that such auditors may be elected or re-elected after one or two years but not in the succeeding year. It is usual that auditors in several cases do not supply all the information necessary because in certain cases I understand that the companies would give them something that is not their legal remuneration. To that extent, they will be prepared to shield the company. It is to avoid such a contingency that I say that they should not be allowed to audit the accounts the succeeding year. With these words, I commend the amendment to the acceptance of the House.

MR. KAYALAM PARAMESVARAN PILLAI: I object to the amendment. When it is said that no auditor shall be eligible on quitting office for re-election it amounts to saying that the shareholders will not have the liberty to use their own discretion in the matter. If the shareholders find that the auditors do not function properly they can appoint fresh auditors. As for the matter of that if they find that this provision is not quite necessary they may as well amend it later on.

The amendment was put to vote and lost.

The question that Clause 58 do form part of the Bill was put to vote and carried.

The Clause was added to the Bill.

Clause 59.

MR. M. G. MATTHEW: Sir, I beg to move the following amendment:—

"In Clause 59, line 2, instead of the word "may" insert the word "shall" and add at the end of the Clause the words "once at least every year."

This is an amendment the object of which is to see that the affairs of the Bank are made known to the creditors and also that Government should see that the accounts are properly kept. For that purpose I am making an alteration in the clause, by deleting the word 'may" in line 2, and inserting the word "shall" in its place and also

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adding the words "once at least every year", at the end of the Clause. It is only just that the affairs of the Bank are properly conducted. Sometimes, owing to pressure of work, Government may not be able to look into the affairs of the Bank or sometimes it may be after two or three years that they may look into the accounts of the Bank. It is just to avoid such negligence on the part of the Government that I move this amendment.

MR. KAYALAM PARAMESVARAN PILLAI: I quite agree that Government should appoint an auditor whenever it is necessary. But to lay down an obligation in the Regulation that Government *shall* appoint an auditor every year would result in additional expense to Government. For, when an auditor is appointed he must be paid his fees. Therefore I think what it is best to leave the clause as it is.

MR. M. G. MATTHEW: In view of the assurance given by the Law Member, I beg to withdraw the amendment.

The amendment, by leave, was withdrawn.

The question that Clause 59 do form part of the Bill was put to vote and carried.

The Clause was added to the Bill.

Clauses 60 to 65.

The question that Clauses 60 to 65 do form part of the Bill was put to vote and carried.

The Clauses were added to the Bill.

THE BILL IN GENERAL.

MR. S. KRISHNA AIYAR: I beg to move the following amendment.

1. *In respect of mostgages of immovable property taken by the Bank, priority of rights shall rest on date of registration and not on date of execution.*

2. *In respect of attachments of immovable property unless the decree holder issues or causes to be issued through court notice of attachment accomparied with schedules of property to the Bank within twenty-four hours of attachment, such attachments shall not affect security deeds on immovable property taken by the Bank.*

PRESIDENT: So far as this amendment is concerned it seems to be a very useful provision and the attention of the Government having been drawn to this matter, I think, steps will be taken in that direction.

MR. S. KRISHNA AIYAR: Then I do not press the amendment now.

Preamble.

MR. E. JOHN PHILIPOSE: Sir, I beg to move the following amendment:—

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